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DHC-2796

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**New Mexico State Land Office  
Commissioner of Public Lands  
Ray Powell, M.S., D.V.M.**

August 2, 2000

Clayton Williams Energy, Inc.  
Claydesta Center  
Six Desta Drive  
Suite 3000  
Midland, Texas 79705

Attn: Mr. Matt Swierc

Re: Downhole Commingling Application  
State 20B Lease Well No. 5  
Unit Letter B, Section 20-17S-29E  
State Lease B-6846  
Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres and East Empire (Yeso) Oil Pools  
Eddy County, New Mexico

Dear Mr. Swierc:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on July 19, 2000. Your application requests our approval to downhole commingle the Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres and East Empire (Yeso) Oil production within the wellbore of the State 20B Lease Well No. 5 located in Unit Letter B, Section 20-17S-29E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

| <u>POOL</u>   | <u>ALLOCATION</u> |              |
|---|-------------------|--------------|
|   | <u>Oil%</u>       | <u>Gas %</u> |
| Grayburg Jackson Seven Rivers Queen-Grayburg-San Andres | 60%               | 83%          |
| East Empire (Yeso) Oil                                  | 40%               | 17%          |
|   | -----             | -----        |
|   | 100%              | 100%         |

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Clayton Williams Energy, Inc.  
August 2, 2000  
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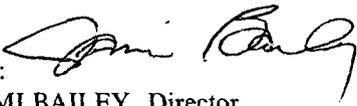
Please submit your filing fee in the amount of \$30.00.

Also, please submit a copy of the Oil Conservation Division's Order approving this application.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
JAMI BAILEY, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/JB/cpm  
Enclosure  
xc: Reader File

~~OCD--Attention: David Catanach, Ben Stone~~